

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTION RAISED AT
HEARINGS ON AUGUST 3, 2000

The United States Postal Service hereby provides its response to a question raised at the hearings on August 3, 2000 (witness Patelunas) at Tr. 35/16793.

The question is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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August 10, 2000

**RESPONSE OF UNITED STATES POSTAL SERVICE TO QUESTIONS
RAISED AT HEARINGS ON AUGUST 3, 2000**

QUESTION: CHAIRMAN GLEIMAN: "Could you please provide a . . . list of all the instances where cost avoidance models are not structured to use FY '99 data and in each of these instances would you explain how the models would need to be altered to allow them to use FY '99 data. . . ." Tr. 35/16793.

RESPONSE:

The various models are listed in conjunction with the relevant testimonies.

USPS-T-26

Parcel Post Mail processing model

The model was designed specifically for BY98, and with test year costs that had not yet been adjusted for the existence of the new rate categories. Therefore, this model cannot be updated by simply inputting FY99 numbers. The model would have to be revised to include DSCF and DDU mail processing models in the weighted average modeled cost. In addition, the weights of each modeled cost would need to be altered; this includes a non-zero weight for all oversize models.

Parcel Post Transportation model

The model was designed specifically for BY98, and with test year costs that had not yet been adjusted for the existence of the new rate categories. Therefore, this model cannot be updated by simply inputting FY1999 data. Currently, the model takes total transportation costs and allocates them to three rate categories: inter-BMC, intra-BMC and DBMC. This is consistent with the roll-forward filed with USPS-T-14 in that the cost numbers used in the Parcel

Post model have not yet been adjusted for the existence of the new rate categories. This does not hold true for the BY 1999 rollforward filed with USPS-ST-44. Therefore, the model would need to be modified to allocate costs to Inter-BMC, Intra-BMC, DBMC, DSCF and DDU. This would include estimating the number of legs each travels and the estimated total cubic feet of each. Also, there would be a need to estimate the volume of OBMC and recalculate the number of Inter-BMC intermediate and local legs.

Bulk Parcel Return Service cost study

This study incorporates the use of several models that would need some modifications. Each will be discussed separately.

- **Collection costs**

Standard A single-piece is used as a proxy. Since this was eliminated in January, 1999, it cannot be updated with FY99 numbers. Either the estimated cost could be multiplied a wage-rate ratio or a new proxy would have to be chosen.

- **Transportation Costs**

These costs are products of the Parcel Post transportation cost model. Since that cannot be updated by simply incorporating new inputs, neither could the BPRS transportation model.

- **Delivery**

These costs rely on Parcel Post transportation costs (local costs only). Since that model cannot be updated by simply incorporating new inputs, neither could the BPRS delivery costs.

USPS-T-27

Standard Mail (A) dropship, transportation

A transportation adjustment is required and it is unclear whether there would be difficulties making this adjustment with FY 1999 data.

Standard Mail (A) nonletter cost differences

The changes in the auto flat definition in FY 1999 would make the costs and volumes used in the model potentially inconsistent. Some adjustment might have to be made.

Bound Printed Matter Dropship Transportation and Non-Transportation Cost Studies

Updating with FY 1999 data would require alterations to the entry flow model.

USPS-T-29

Stamped envelopes

These costs rely on the Parcel Post Mail Processing and the Parcel Post Transportation models. Since those models cannot be updated by simply incorporation new inputs, neither could this one.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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